



Northumberland

County Council

AUDIT COMMITTEE

30 NOVEMBER 2022

AUDIT COMMITTEE ARRANGEMENTS

Report of Head of Internal Audit and Risk Management

Purpose of report

The purpose of this report is to:

- (a) Provide an update to Audit Committee on revised guidance issued by the Chartered Institute of Public Finance and Accountancy (CIPFA) in relation to the operation of Audit Committees in local authorities and police;
- (b) present a self-assessment of Audit Committee arrangements, undertaken with reference to the revised good practice recommended by the Chartered Institute of Public Finance and Accountancy (CIPFA);
- (c) highlight those areas where development areas should be focused, to ensure that our Audit Committee arrangements reflect all parts of CIPFA's latest publication.

Recommendations

It is recommended that the Audit Committee:

- 1) notes that CIPFA have published revised guidance, including a revised Position Statement on Audit Committees in Local Authorities and Police, attached as **Appendix A**, and that some future changes are likely to be needed to the current Terms of Reference of Audit Committee as set out in the Constitution, to ensure that all aspects of CIPFA's latest guidance can be reflected;
- 2) considers and endorses the latest self-assessment of our Audit Committee arrangements against the good practice guidance recommended by CIPFA, attached as **Appendix B**;
- 3) Agrees that the Head of Internal Audit and Risk Management works with the Chair of Audit Committee to undertake a wider review of Audit Committee arrangements using the revised CIPFA guidance in order to prepare a plan of actions which may be needed to ensure that our Audit Committee arrangements reflect CIPFA's latest guidance;

- 4) Agrees that this report and the Action Plan recommended at 3) above will form the basis of an annual report from Audit Committee, which will be prepared for presentation to Council, demonstrating how Audit Committee meets its Terms of Reference and providing a summary of the work of the committee during the year.

Link to Corporate Plan

The work of the Audit Committee contributes to the overall achievement of all priorities the Council's Corporate Plan. In particular it supports the "How" priority of the Corporate Plan 2021-24.

Background

1. The Chartered Institute of Public Finance and Accountancy (CIPFA) periodically publishes good practice guidance covering the role, functions and operation of Audit Committees in Local Government. The latest such guidance ('Audit Committees: Practical Guidance for Local Authorities and Police') was published in October 2022.
2. Included within CIPFA's guidance is an updated Position Statement on Audit Committees. The Position Statement within CIPFA's previous guidance, dated March 2018, is fully reflected by the Audit Committee's current Terms of Reference. Some minor amendments will therefore be required, to update Audit Committee's Terms of Reference accordingly. CIPFA's updated 'Position Statement on Audit Committees in Local Authorities and Police' is attached as **Appendix A**.
3. It is good practice to undertake an annual review of the effectiveness of Audit Committee arrangements. The most recent self-assessment of our Audit Committee arrangements was undertaken and reported to Audit Committee in March 2021. The self-assessment demonstrated that our Audit Committee arrangements reflected the good practice areas recommended by CIPFA, with some areas for development. This self-assessment has been deferred during 2022/23, whilst awaiting the release of the updated guidance by CIPFA.
4. This self-assessment against the requirements of the updated guidance, is attached as **Appendix B** and again shows our Audit Committee arrangements already reflect a number of the good practice areas recommended by CIPFA.
5. There are some areas highlighted in the self-assessment in which further development is needed to ensure that the good practice recommended by CIPFA is fully reflected. To help ensure that all good practice arrangements become fully embedded, it is recommended that a wider review of Audit Committee arrangements with Audit Committee members is progressed by the Head of Internal Audit and Risk Management and Chair of Audit Committee, using the revised CIPFA guidance, to develop a plan of actions which may be needed to ensure that CIPFA's latest good practice is fully reflected. It is proposed that the review undertaken will be reported to Audit Committee in March 2023 and will subsequently help form the basis of a report from Audit Committee to Council for 2022/23.

Implications

Policy	<p>The Audit Committee contributes to the Council's governance framework, including the review of financial governance as appropriate.</p> <p>The role of Audit Committee is set out in the Council's Constitution and the Audit Committee's Terms of Reference.</p>
Finance and value for money	<p>Through its review of a range of audit, accounting and governance related items, the Audit Committee assesses the Council's use of financial resources and value for money.</p> <p>There are no financial implications arising from the recommendations set out in this report.</p>
Legal	<p>The Public Sector Internal Audit Standards, and related Local Government Application Note, presume that local authorities will have an Audit Committee undertaking the purpose identified by CIPFA in its 2022 publication "Audit Committees: Practical Guidance for Local Authorities and Police".</p>
Procurement	<p>There are no procurement implications arising directly from this report.</p>
Human Resources	<p>There are no human resources implications arising directly from this report.</p>
Property	<p>There are no property implications arising directly from this report.</p>
Equalities (Impact Assessment attached) Yes <input type="checkbox"/> No <input type="checkbox"/> N/A <input checked="" type="checkbox"/>	<p>An equalities impact assessment is not applicable to this report.</p>
Risk Assessment	<p>Any risks and opportunities identified will be managed in accordance with the Authority's established risk management processes.</p>
Crime Disorder &	<p>There are no crime and disorder issues directly arising from this report.</p>
Customer Consideration	<p>There are no direct customer considerations arising from this report.</p>
Carbon reduction	<p>There are no carbon reduction issues directly arising from this report.</p>

Wards	All
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Consultation

The analysis against CIPFA's good practice guidance, taken from the 2022 publication "Audit Committees: Practical Guidance for Local Authorities and Police", is included in this report for consultation with current members of Audit Committee.

Background Papers

The following background papers and research reports have been used in the compilation of this report and are available for inspection at the offices of the author.

- (a) Audit Committees: Practical Guidance for Local Authorities and Police, CIPFA, 2022 (P)
- (b) Northumberland County Council Audit Committee Terms of Reference (P)
- (c) Northumberland County Council Corporate Plan 2021-24, 2021 (P)

Reports sign off

Finance Officer	N/A
Monitoring Officer/Legal	N/A
Human Resources	N/A
Procurement	N/A
I.T.	N/A
Portfolio Holder(s)	N/A

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